

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Homer	County Calhoun
Fiscal Year End 12-31-06	Opinion Date 7-13-07	Date Audit Report Submitted to State 8-8-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

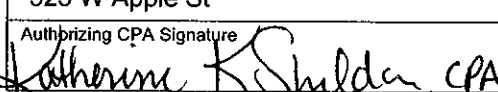
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter		
Certified Public Accountant (Firm Name) Walker, Fluke & Sheldon, PLC		Telephone Number 269-945-9452		
Street Address 525 W Apple St		City Hastings	State MI	Zip 49058
Authorizing CPA Signature 		Printed Name Katherine K Sheldon, CPA		License Number 1101023575

VILLAGE OF HOMER
FINANCIAL STATEMENTS
For the year ended December 31, 2006

TABLE OF CONTENTS

Independent Auditors' Report	1
Management Discussion and Analysis	2 - 6
Basic Financial Statements:	
Government-Wide Statement of Net Assets	7
Government-Wide Statement of Activities	8
Governmental Fund Balance Sheet	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement Of Net Assets	10
Governmental Fund Statement of Revenue, Expenditures, and Changes In Fund Balance	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balance of Governmental Funds to Statement of Activities	12
Proprietary Funds Statement of Net Assets	13
Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets	14
Proprietary Funds Statement of Cash Flows	15
Notes to Financial Statements	16 - 28
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	29 - 30
Budgetary Comparison Schedule - Major Street Fund	31
Budgetary Comparison Schedule - Local Street Fund	32
Budgetary Comparison Schedule - Library Fund	33 - 34
Budgetary Comparison Schedule - Fire Fund	35
Additional Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	36 -41
Combining Balance Sheet - Non-Major Governmental Funds	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds	43
Independent Auditors Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	44 - 45



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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Homer
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Homer, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the Village's financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Homer, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Homer, Michigan, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 27, 2007, on our consideration of the Village of Homer, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management discussion and analysis and required supplementary information list in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Homer's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Homer, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan
July 13, 2007

Walker, Fluke & Sheldon, PLC

Village of Homer Management Discussion and Analysis

As the Village Council of the Village of Homer, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of Village of Homer for the fiscal year ended December 31, 2006. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Village. We encourage readers to consider this information in conjunction with the letter or transmittal, which begins on page 1, and the financial statements, which begin on page 7.

Financial Highlights

- The assets of Village of Homer exceeded its liabilities at the close of the most recent fiscal year by \$6,445,459 (net assets) compared to \$6,547,379 last year. Of this amount, \$1,093,213 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$101,920 compared to a decrease of \$47,110 last year.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,327,465; a decrease of \$17,976 compared to an ending fund balance of \$1,345,441 an increase of \$112,554 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$79,741 or 12.01% of total general fund expenditures. Last year the unreserved fund balance for the general fund was \$36,628 or 6.98% of total general fund expenditures.

Overview of the Financial Statements

The Village of Homer's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Village's financial position is improving or deteriorating.

The statement of activities presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., state shared revenue).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, highways and streets, recreation and cultural and health and welfare.

The government-wide financial statements can be found on pages 7-8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Village of Homer, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: government funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and

the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village of Homer maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Streets and Local Streets, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 9-11 of this report.

Proprietary funds. The Village maintains two types of proprietary funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for the Water Fund and Sewer Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, both of which are considered to be major funds of the Village. The proprietary fund financial statements can be found on pages 12-15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The Village currently has no Fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 16-28 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Village adopts an annual budget for its general fund, major street fund and local street fund. Within the required supplementary information, a budget comparison statement has been provided for these funds to demonstrate compliance with the budget.

Required supplementary information can be found on pages 29-35 of this report.

Individual fund statements and schedules are presented immediately following the required supplementary information on budgets on pages 36-43.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Village of Homer, assets exceeded liabilities by \$6,445,459 at the close of the most recent fiscal year.

\$1,093,213 of the Village's net assets (16.96 percent) reflects its unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Village's net assets (7.62 percent) reflects restricted net assets \$491,115, which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Village's net assets (75.42 percent) reflects its investment in capital assets \$4,861,131 (e.g. land, buildings, equipment and furniture and fixtures). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Village of Homer's Condensed Financial Data

	Governmental		Business-Type	
	2006	2005	2006	2005
Current and Other Assets	\$ 1,369,246	\$ 1,367,967	\$ 323,635	\$ 388,940
Capital Assets	<u>2,383,419</u>	<u>2,458,752</u>	<u>3,139,712</u>	<u>3,182,538</u>
Total Assets	<u>3,752,665</u>	<u>3,826,719</u>	<u>3,463,347</u>	<u>3,571,478</u>
Short-Term Liabilities	103,119	84,451	98,434	86,468
Long-Term Liabilities	<u>56,000</u>	<u>76,899</u>	<u>513,000</u>	<u>603,000</u>
Total Liabilities	<u>159,119</u>	<u>161,350</u>	<u>611,434</u>	<u>689,468</u>
Net Assets				
Invested in Capital Assets,				
Net of Related Debt	2,319,419	2,366,074	2,541,712	2,499,538
Restricted	79,233	79,159	411,882	238,210
Unrestricted	<u>1,194,894</u>	<u>1,220,136</u>	<u>(101,681)</u>	<u>144,262</u>
Total Net Assets	<u>\$ 3,593,546</u>	<u>\$ 3,665,369</u>	<u>\$ 2,851,913</u>	<u>\$ 2,882,010</u>
Program Revenues				
Charges for Services	\$ 342,279	\$ 291,101	\$ 426,336	\$ 439,383
Operating Grants and Contributions	129,065		-	-
General Revenues				
Property Taxes	430,707	430,621	-	-
Licenses and Permits	4,477	5,767	4,884	-
State Grants	216,217	358,436	-	-
Investment Income	22,118	29,217	14,987	9,825
Other	<u>29,606</u>	<u>11,881</u>	<u>7,629</u>	<u>-</u>
Total Revenues	<u>1,174,469</u>	<u>1,127,023</u>	<u>453,836</u>	<u>449,208</u>
Program Expenses				
Governmental Activities				
Legislative	10,719	11,434	-	-
General Government	169,108	163,994	-	-
Public Safety	561,712	556,435	-	-
Public Works	304,820	232,763	-	-
Health and Welfare	-	-	-	-
Recreational and Cultural	207,752	202,253	-	-
Interest and fiscal charges	3,836	5,317	-	-
Gain on Disposal	(1,000)	-	-	-
Transfers (In) Out	<u>(10,655)</u>	<u>-</u>	<u>10,655</u>	<u>-</u>
Business-Type Activities				
Water	-	-	188,267	165,753
Sewer	-	-	256,486	254,050
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>28,525</u>	<u>31,342</u>
Total Expenses	<u>1,246,292</u>	<u>1,172,196</u>	<u>483,933</u>	<u>451,145</u>
Change in Net Assets	<u>\$ (71,823)</u>	<u>\$ (45,173)</u>	<u>\$ (30,097)</u>	<u>\$ (1,937)</u>

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities. Governmental activities decreased the Village's net assets by \$17,976; mainly due to increased costs of operation.

For the most part, expenses were comparable with prior year. Legislative expenditures up due to increased legal fees. General government up due to increased costs with the cemeteries. Public safety was down due to the completion of the master plan in the prior year and public works was up due to depreciation of infrastructure assets.

Business-Type activities. Business-type activities decreased the Village's net assets by \$30,097 mainly due to water and sewer rates are not high enough to support the corresponding expenses of those funds.

Financial Analysis of the Village's Funds

As noted earlier, the Village used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Village's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,327,465, a decrease of \$17,9766. Last year, the Village's governmental funds combined ending fund balance was \$1,345,441, which was an increase of \$112,554.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$(32,809) and the total fund balance was \$79,741. Unreserved fund balance is a negative balance due to numerous village designations.

The fund balance of the Village's general fund decreased by \$22,208 during the current fiscal year, mainly due to the Village Council transferring money to other funds.

Proprietary funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of the end of the current fiscal year, the Village's water fund reported unrestricted net assets of \$1,336. The Water Fund had a decrease in net assets of \$14,702. The Village's Sewer Fund reported unrestricted net assets of \$(103,017) at the end of the year. The Sewer Fund had a decrease in net assets of \$15,395. The Village recognizes the declines in the water and sewer funds and is in the process of bringing water and sewer rates to where they need to be.

General Fund Budgetary Highlights

The amended general fund revenue budget increased from the original budget by \$60,187 mainly due to an amendment for an increase in charges for services and other minor changes. The general fund expenditures increased \$63,467 between the original budget and the final budget. The majority of the changes in appropriations can be summarized with the following:

- \$61,656 increase to police
- \$11,633 decrease to sidewalk replacement

The majority of budget amendments were to police and sidewalk replacement for increase in police coverage and capital outlay purchases.

During the year revenues and expenditures were less than budgetary estimates. Operating transfers to other funds resulted in a need to draw upon fund balance in the general fund.

Capital Assets

The Village's investment in capital assets for its governmental activities as of December 31, 2006, amounts to \$2,383,419 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year included road resurfacing, library computers, mower and equipment. Details of the Village's capital assets are continued in the notes to the financial statements on pages 23 and 24.

Long-Term Debt

At the end of the current fiscal year, the Village had total bonded debt outstanding of \$662,000 and general obligation debt of \$48,011. The Village's debt represents bonds secured by specified revenue sources and compensated absences, respectively.

**The Village's Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental-Type Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Primary Government:						
Revenue Bonds	\$ 64,000	\$ 72,000	\$ 598,000	\$ 683,000	\$ 662,000	\$ 755,000
Leases	-	20,678	-	-	-	\$ 20,678
Compensated Absences	48,011	46,767	-	-	48,011	46,767
Total	<u>\$ 112,011</u>	<u>\$ 139,445</u>	<u>\$ 598,000</u>	<u>\$ 683,000</u>	<u>\$ 710,011</u>	<u>\$ 822,445</u>

The Village's debt decreased by \$112,434 (13.67%) during the current fiscal year. The net reduction was mainly attributable to making debt service payments as they came due.

Additional information on the Village's long-term debt can be found on pages 25 and 26 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Budget assumptions: The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease in the 2007-2008 fiscal year. The Village budgeted for a decrease in state-shared revenue. The Village's millage rate will remain the same. The taxable value will increase, thus bringing in more tax revenue.

Requests for Information

This financial report is designed to provide a general overview of Village of Homer's finances for all those with an interest in the village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the (Supervisor/Treasurer/Clerk), Village of Homer, 130 E Main Street, P.O. Box 155 Homer, MI 49245.

VILLAGE OF HOMER
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2006

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 468,154	\$ (87,971)	\$ 380,183
Investments	511,633	-	511,633
Receivables (Net)			
Taxes	50,117	-	50,117
Other	7,374	-	7,374
Accounts	-	100,187	100,187
Due from Other Funds	4,500	-	4,500
Due from State	95,009	-	95,009
Due from Other Units of Government	33,548	-	33,548
Internal Balances	116,215	(116,215)	-
Bond Issue Costs	-	15,752	15,752
Restricted Assets	82,696	411,882	494,578
Capital Assets (Net of Accumulated Depreciation)	<u>2,383,419</u>	<u>3,139,712</u>	<u>5,523,131</u>
Total Assets	<u>3,752,665</u>	<u>3,463,347</u>	<u>7,216,012</u>
LIABILITIES			
Accounts Payable	31,088	10,514	41,602
Accrued Liabilities	11,520	2,920	14,440
Due to Other Funds	4,500	-	4,500
Noncurrent Liabilities			
Due Within One Year	56,011	85,000	141,011
Due In More Than One Year	<u>56,000</u>	<u>513,000</u>	<u>569,000</u>
Total Liabilities	<u>159,119</u>	<u>611,434</u>	<u>770,553</u>
NET ASSETS			
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,319,419	2,541,712	4,861,131
Restricted for Building Authority	79,233	-	79,233
Restricted for Debt Service	-	411,882	411,882
Unrestricted	<u>1,194,894</u>	<u>(101,681)</u>	<u>1,093,213</u>
Total Net Assets	<u>\$ 3,593,546</u>	<u>\$ 2,851,913</u>	<u>\$ 6,445,459</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF HOMER
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government						
Governmental Activities						
Legislative	\$ 10,719	\$ -	\$ -	\$ (10,719)	\$ -	\$ (10,719)
General Government	169,108	45,786	-	(123,322)	-	(123,322)
Public Safety	561,712	138,164	-	(423,548)	-	(423,548)
Public Works	304,820	76,072	126,030	(102,718)	-	(102,718)
Recreational and Cultural	207,752	82,257	3,035	(122,460)	-	(122,460)
Interest and Fiscal Charges	3,836	-	-	(3,836)	-	(3,836)
Total Governmental Activities	<u>1,257,947</u>	<u>342,279</u>	<u>129,065</u>	<u>(786,603)</u>	<u>-</u>	<u>(786,603)</u>
Business-type Activities						
Water	188,267	166,567	-	-	(21,700)	(21,700)
Sewer	256,486	259,769	-	-	3,283	3,283
Interest and Fiscal Charges	28,525	-	-	-	(28,525)	(28,525)
Total Business-type Activities	<u>473,278</u>	<u>426,336</u>	<u>-</u>	<u>-</u>	<u>(46,942)</u>	<u>(46,942)</u>
Total Primary Government	<u>\$ 1,731,225</u>	<u>\$ 768,615</u>	<u>\$ 129,065</u>	<u>(786,603)</u>	<u>(46,942)</u>	<u>(833,545)</u>
General Revenues						
Taxes and Penalties				430,707	-	430,707
Licenses and Permits				4,477	4,884	9,361
State Grants				216,217	-	216,217
Investment Income				22,118	14,987	37,105
Other				29,606	7,629	37,235
Total General Revenue				<u>703,125</u>	<u>27,500</u>	<u>730,625</u>
Gain on Disposal of Fixed Assets				1,000	-	1,000
Transfers				<u>10,655</u>	<u>(10,655)</u>	<u>-</u>
Change in Net Assets				(71,823)	(30,097)	(101,920)
Net Assets-Beginning				<u>3,665,369</u>	<u>2,882,010</u>	<u>6,547,379</u>
Net Assets-Ending				<u>\$ 3,593,546</u>	<u>\$ 2,851,913</u>	<u>\$ 6,445,459</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF HOMER
GOVERNMENTAL FUND BALANCE SHEET
December 31, 2006

ASSETS	General	Major Streets	Local Streets	Library	Fire	Non-Major Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 8,733	\$ 39,867	\$ 219,432	\$ 57,773	\$ 44,175	\$ 167,872	\$ 537,852
Investments	-	-	300,000	-	-	211,633	511,633
Receivables							
Taxes	36,060	-	14,207	-	-	2,263	52,530
Other	2,386	-	3,279	-	-	1,709	7,374
Due From State	75,946	13,732	5,331	-	-	-	95,009
Due From Other Units of Government	-	-	-	33,548	-	-	33,548
Due From Other Funds	5,915	-	177,887	-	-	4,500	188,302
Total Assets	\$ 129,040	\$ 53,599	\$ 720,136	\$ 91,321	\$ 44,175	\$ 387,977	\$ 1,426,248
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts Payable	\$ 6,674	\$ 12,776	\$ 5,670	\$ 3,350	\$ 1,418	\$ 1,200	\$ 31,088
Accrued Liabilities	6,565	408	393	1,482	1,817	-	10,665
Due To Other Funds	-	-	-	-	4,500	-	4,500
Deferred Revenue	36,060	-	14,207	-	-	2,263	52,530
Total Liabilities	49,299	13,184	20,270	4,832	7,735	3,463	98,783
Fund Balances							
Reserved	-	-	-	-	-	-	-
Designated	112,550	-	-	-	-	-	112,550
Unreserved-Undesignated	(32,809)	40,415	699,866	86,489	36,440	384,514	1,214,915
Total Fund Balances	79,741	40,415	699,866	86,489	36,440	384,514	1,327,465
Total Liabilities and Fund Balances	\$ 129,040	\$ 53,599	\$ 720,136	\$ 91,321	\$ 44,175	\$ 387,977	\$ 1,426,248

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF HOMER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2006**

Governmental Fund Balance - December 31, 2006		\$ 1,327,465
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$5,272,686	
Less: Accumulated depreciation	<u>(2,889,267)</u>	2,383,419
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net current assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-Wide Statement of Net Assets		
		(57,857)
Deferred revenues reported in governmental funds are recognized as revenues in the governmental activities		
		52,530
Long-term liabilities are not due and payable in the current period and are not reported in the funds		
Building Authority Bonds Payable	(64,000)	
Accumulated Vacation and Sick Leave	<u>(48,011)</u>	<u>(112,011)</u>
Net Assets of Governmental Activities		<u>\$ 3,593,546</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF HOMER
GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2006

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Library</u>	<u>Fire</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues							
Taxes and Penalties	\$282,878	\$ -	\$111,031	\$ -	\$ -	\$ 17,617	\$ 411,526
Licenses and Permits	4,477	-	-	-	-	-	4,477
State Grants	216,217	90,456	35,574	3,035	-	-	345,282
Contributions from Local Units	-	-	-	65,033	74,701	20,725	160,459
Charges for Services	83,986	-	-	-	-	-	83,986
Fines and Forfeitures	4,538	-	-	17,224	-	-	21,762
Interest and Rentals	10,811	440	5,481	677	352	4,232	21,993
Other Revenue	<u>19,148</u>	<u>6,046</u>	<u>236</u>	<u>3,270</u>	<u>562</u>	<u>257</u>	<u>29,519</u>
Total Revenues	<u>622,055</u>	<u>96,942</u>	<u>152,322</u>	<u>89,239</u>	<u>75,615</u>	<u>42,831</u>	<u>1,079,004</u>
Expenditures							
Legislative	10,719	-	-	-	-	-	10,719
General Government	146,328	-	-	-	-	6,609	152,937
Public Safety	305,879	-	-	-	128,956	-	434,835
Public Works	58,188	120,638	116,745	-	-	-	295,571
Recreation and Cultural	21,406	-	-	136,769	-	13,720	171,895
Capital Outlay	1,054	-	-	3,866	5,244	-	10,164
Debt Service	<u>20,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,600</u>	<u>32,514</u>
Total Expenditures	<u>564,488</u>	<u>120,638</u>	<u>116,745</u>	<u>140,635</u>	<u>134,200</u>	<u>31,929</u>	<u>1,108,635</u>
Excess of Revenues Over (Under)							
Expenditures	<u>57,567</u>	<u>(23,696)</u>	<u>35,577</u>	<u>(51,396)</u>	<u>(58,585)</u>	<u>10,902</u>	<u>(29,631)</u>
Other Financing Sources (Uses)							
Proceeds from Sale of Fixed Assets	1,000	-	-	-	-	-	1,000
Operating Transfers In	18,655	-	11,250	32,000	52,630	14,921	129,456
Operating Transfers (Out)	<u>(99,430)</u>	<u>(11,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,121)</u>	<u>(118,801)</u>
Total Other Financing Sources (Uses)	<u>(79,775)</u>	<u>(11,250)</u>	<u>11,250</u>	<u>32,000</u>	<u>52,630</u>	<u>6,800</u>	<u>11,655</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(22,208)</u>	<u>(34,946)</u>	<u>46,827</u>	<u>(19,396)</u>	<u>(5,955)</u>	<u>17,702</u>	<u>(17,976)</u>
Fund Balance - January 1, 2006	<u>101,949</u>	<u>75,361</u>	<u>653,039</u>	<u>105,885</u>	<u>42,395</u>	<u>366,812</u>	<u>1,345,441</u>
Fund Balance - December 31, 2006	<u>\$ 79,741</u>	<u>\$ 40,415</u>	<u>\$699,866</u>	<u>\$ 86,489</u>	<u>\$ 36,440</u>	<u>\$384,514</u>	<u>\$1,327,465</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF HOMER
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

Net Change in Fund Balances - Total Governmental Funds		\$ (17,976)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		19,181
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(1,244)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces debt)		8,000
Lease proceeds are revenue in the governmental funds, but not in the statement of activities (where it increases debt)		20,678
Allocation of internal service funds		(27,097)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 104,296	
Less: Current year depreciation	<u>177,661</u>	<u>(73,365)</u>
Change in Net Assets of Governmental Funds		<u>\$ (71,823)</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF HOMER
PROPRIETARY FUNDS STATEMENT OF NET ASSETS
December 31, 2006

	<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>	<u>Service Fund</u>
<u>ASSETS</u>	<u>System</u>	<u>System</u>	<u>Funds</u>	<u>Motor</u>
				<u>Pool</u>
Cash and Cash Equivalents	\$ (42,779)	\$ (45,192)	\$ (87,971)	\$ 10,585
Receivables (Net)				
Accounts	60,267	39,920	100,187	-
Bond Issue Costs	-	15,752	15,752	-
Restricted Assets	269,765	142,117	411,882	-
Capital Assets (Net of Accumulated Depreciation)	<u>2,032,057</u>	<u>1,107,655</u>	<u>3,139,712</u>	<u>86,144</u>
Total Assets	<u>\$ 2,319,310</u>	<u>\$ 1,260,252</u>	<u>\$ 3,579,562</u>	<u>\$ 96,729</u>
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities				
Accounts Payable	\$ 6,262	\$ 4,252	\$ 10,514	\$ -
Accrued Liabilities	1,040	1,880	2,920	855
Due to Other Funds	113,203	3,012	116,215	67,587
Bonds Payable	<u>408,000</u>	<u>190,000</u>	<u>598,000</u>	<u>-</u>
Total Liabilities	<u>528,505</u>	<u>199,144</u>	<u>727,649</u>	<u>68,442</u>
Net Assets				
Net Assets				
Investment in Capital Assets, Net of Related Debt	1,624,057	917,655	2,541,712	86,144
Restricted for Debt Service	269,765	142,117	411,882	-
Unrestricted	<u>(103,017)</u>	<u>1,336</u>	<u>(101,681)</u>	<u>(57,857)</u>
Total Net Assets	<u>1,790,805</u>	<u>1,061,108</u>	<u>2,851,913</u>	<u>28,287</u>
Total Liabilities and Net Assets	<u>\$ 2,319,310</u>	<u>\$ 1,260,252</u>	<u>\$ 3,579,562</u>	<u>\$ 96,729</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF HOMER
PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2006

	<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>	<u>Service Fund</u>
	<u>System</u>	<u>System</u>	<u>Funds</u>	<u>Motor</u>
				<u>Pool</u>
Operating Revenues				
Licenses and Permits	\$ 4,184	\$ 700	\$ 4,884	\$ -
Charges for Services	259,769	166,567	426,336	76,072
Other Operating Revenue	<u>158</u>	<u>7,471</u>	<u>7,629</u>	<u>87</u>
Total Operating Revenues	<u>264,111</u>	<u>174,738</u>	<u>438,849</u>	<u>76,159</u>
Operating Expenses				
Salaries and Fringe Benefits	83,489	87,179	170,668	50,136
Supplies	11,429	10,239	21,668	10,284
Professional Services	8,313	11,978	20,291	4,076
Insurance and Bonds	7,201	7,636	14,837	7,195
Maintenance and Repairs	6,542	11,741	18,283	7,161
Gas and Oil			-	9,271
Miscellaneous	70	503	573	40
Equipment Rental	7,846	10,327	18,173	105
Transportation	765	715	1,480	895
Utilities	24,570	16,284	40,854	2,100
Depreciation	<u>106,261</u>	<u>31,665</u>	<u>137,926</u>	<u>12,118</u>
Total Operating Expenses	<u>256,486</u>	<u>188,267</u>	<u>444,753</u>	<u>103,381</u>
Operating Income	<u>7,625</u>	<u>(13,529)</u>	<u>(5,904)</u>	<u>(27,222)</u>
Nonoperating Revenues (Expenses)				
Interest Earned on Investments	10,035	4,952	14,987	125
Interest Expense	(22,400)	(6,125)	(28,525)	-
Operating Transfers (Out)	<u>(10,655)</u>	<u>-</u>	<u>(10,655)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(23,020)</u>	<u>(1,173)</u>	<u>(24,193)</u>	<u>125</u>
Change in Net Assets	(15,395)	(14,702)	(30,097)	(27,097)
Net Assets-January 1, 2006	<u>1,806,200</u>	<u>1,075,810</u>	<u>2,882,010</u>	<u>55,384</u>
Net Assets-December 31, 2006	<u>\$ 1,790,805</u>	<u>\$ 1,061,108</u>	<u>\$ 2,851,913</u>	<u>\$ 28,287</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF HOMER
PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2006

	<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>	<u>Service Fund</u>
	<u>System</u>	<u>System</u>	<u>Funds</u>	<u>Motorpool</u>
Cash Flows From Operating Activities:				
Cash Charges for Services	\$ 250,405	\$ 159,966	\$ 410,371	\$ 76,072
Other Operating Revenue	158	7,471	7,629	87
Cash Payments to Employees for Services	(85,188)	(89,028)	(174,216)	(50,652)
Cash Payments to Suppliers for Goods and Services	<u>52,729</u>	<u>(62,159)</u>	<u>(9,430)</u>	<u>(41,126)</u>
Net Cash Provided by Operating Activities	<u>218,104</u>	<u>16,250</u>	<u>234,354</u>	<u>(15,619)</u>
Cash Flows From Capital and Related Financing Activities:				
Payment of Principal	(40,000)	(45,000)	(85,000)	-
Payment of Interest	(22,400)	(6,125)	(28,525)	-
Net Operating Transfers In (Out)	<u>(10,655)</u>	<u>-</u>	<u>(10,655)</u>	<u>-</u>
Net Cash Used by Capital and Related Financing Activities	<u>(73,055)</u>	<u>(51,125)</u>	<u>(124,180)</u>	<u>-</u>
Cash Flows From Investing Activities:				
Interest Earned on Cash Equivalents and Investments	10,035	4,952	14,987	125
Purchase of Fixed Assets	<u>(95,100)</u>	<u>-</u>	<u>(95,100)</u>	<u>(10,150)</u>
Net Cash Provided (Used) by Investing Activities	<u>(85,065)</u>	<u>4,952</u>	<u>(80,113)</u>	<u>(10,025)</u>
Net Increase in Cash and Cash Equivalents	59,984	(29,923)	30,061	(25,644)
Cash and Cash Equivalents at Beginning of the Year (Including \$148,213 in restricted sewer accounts) (Including \$89,997 in restricted water accounts)	<u>167,002</u>	<u>126,848</u>	<u>293,850</u>	<u>36,229</u>
Cash and Cash Equivalents at End of the Year (Including \$269,765 in restricted sewer accounts) (Including \$142,117 in restricted water accounts)	<u>\$ 226,986</u>	<u>\$ 96,925</u>	<u>\$ 323,911</u>	<u>\$ 10,585</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 7,625	\$ (13,529)	\$ (5,904)	\$ (27,222)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	106,261	31,665	137,926	12,118
Decrease (Increase) in Accounts Receivable	(13,548)	(7,301)	(20,849)	-
Increase (Decrease) in Accounts Payable	6,262	4,252	10,514	-
Increase (Decrease) in Accrued Liabilities	(1,699)	(1,849)	(3,548)	(515)
Increase (Decrease) in Due to Other Funds	<u>113,203</u>	<u>3,012</u>	<u>116,215</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>\$ 218,104</u>	<u>\$ 16,250</u>	<u>\$ 234,354</u>	<u>\$ (15,619)</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Homer conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Homer:

REPORTING ENTITY

The Village of Homer was incorporated as a village in 1871 and is situated in the southeastern corner of Calhoun County. The Village operates under an elected council of seven members and provides services to its almost 2,000 residents in many areas including police and fire protection and highway and street maintenance. Education services are provided to citizens through several local school districts that are separate governmental entities. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Village, there are no component units to be included in these financial statements.

JOINT VENTURES

South Central Michigan Construction Code Inspection

The Village of Homer is a member of the South Central Michigan Construction Code Inspection, Incorporated, which is organized to administer and enforce certain construction codes and ordinances adopted by each of the member municipalities. SCMCCI consists of seventeen member municipalities in Michigan. Each participating municipality selects a representative to SCMCCI. These include City of Albion, Athens Village, Brady Township, Burlington Township, Burr Oak Township, Burr Oak Village, Climax Township, Colon Township, Convis Township, Village of Homer, Homer Township, Leonidas Township, NHPB-Indian Housing Authority, Park Township, Sherman Township, Springport Village and Wakeshma Township. SCMCCI charges homeowners and builders a fee for permits and inspections. The members do not have an ownership interest in SCMCCI, and are not entitled to any share of net assets as a result of termination of membership.

The following financial information of the joint venture is as of and for the short-year ending September 30, 2006:

Total Assets	\$ 110,579	Total Revenues	\$ 508,755
Total Liabilities	\$ 47,931	Total Expenditures	\$ 515,622
Total Net Assets	\$ 62,648	Increase (Decrease) in Net Assets	\$ (6,867)
Total Joint Venture Outstanding Debt	\$ -		\$

Complete financial statements for the joint venture may be obtained from:

Lea Anne Nowlin
Village of Homer
203 N Main Street
Homer, MI 49073
517-568-4321

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when the Village receives cash.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Taxes Receivable - The Village property tax is levied on each July 1st based on the taxable valuation of property located in the Village as of the preceding December 31st.

It is the Village's policy to recognize revenue from the current tax levy in the year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Continued)

The 2006 State taxable valuation of the Village totaled \$24,711,518 on which ad valorem taxes levied consisted of 11.3748 mills for Village operating purposes, 4.5499 mills for Village street operations, and 0.7250 mills for building authority, raising \$281,490 for operating, \$112,593 for street operations and \$17,938 for building authority. The amounts recognized in the General Fund financial statements as current property tax revenue represent 2006 taxes collected and 2005 delinquent taxes collected in the current fiscal year.

The Village reports the following major governmental funds:

- The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.
- The Major Street Fund accounts for the maintenance of all major streets and trunk lines. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Local Street Fund accounts for the maintenance of all local streets. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Library Fund accounts for the revenue and expenses for the operation of the library.
- The Fire Fund accounts for the revenue and expenses for the operation of the fire department.

The Village reports the following major proprietary funds:

- The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds and customers.
- The Sewer Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds and customers.

Additionally, the government reports the following fund types:

- The Internal Service Funds account for major machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The Village has elected not to follow private-sector standards.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering products in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current cost (e.g., labor and materials to hook up new customers) as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st based on the taxable valuation of property located in the Village as of the preceding December 31st. These taxes are due on August 31 with the final collection date of September 15. After that date, they are added to the county's delinquent tax rolls.

The delinquent real property taxes of the Village are purchased by Calhoun County. These taxes have been recorded as deferred revenue in the fund financial statements for the current year since they are not available to fund expenditures of the current period.

Designated Assets - The Village has designated assets for public safety, community interest and equipment. By designating a portion of fund balance for a specific purpose, the Village Council has established a policy that the amounts designated are to be used for a specific purpose. The Village Council can change the amounts so designated if they desire.

Restricted Assets - The Village has restricted assets for building authority. By restricting a portion of the fund balance for a specific purpose, the Village has limited the use of the funds for that specific purpose only. The Village Council cannot change the amounts restricted and cannot spend the restricted funds for anything other than building authority. The revenue bonds of the enterprise funds require amounts to be set-aside for debt service principal and interest, capital improvements and a bond reserve. These amounts have been classified as restricted assets.

Retained Earnings Reserve - In the Sewer and Water System funds, certain amounts of the retained earnings are reserved for bond and interest redemption and capital improvements. The amounts of the reserves are established by bond ordinances. Any use of the reserve balances would be a violation of the bond ordinances.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

General Assets

Buildings and Improvements	20 to 60 years
Water and Sewer Lines	50 to 75 years
Furniture	5 to 10 years
Data Processing Equipment	2 to 7 years
Equipment	2 to 7 years

Infrastructure Assets

Road	8 to 30 years
Sidewalks	10 to 30 years
Bridges	12 to 50 years
Drains, Curbs, Gutters	8 to 40 years

Compensated Absences (Vacation and Sick Leave) - Vacation pay is earned by all full time employees according to the length of their employment and is available for use annually, not on an accrual basis. Vacation time is paid at the employee's current pay rate and must be used in the year available. Any unused vacation time at the nearest pay date to their anniversary date is paid out to the employee's current rate of pay. Upon termination of employment, employees will be paid for all unused vacation time.

Full time employees earn personal time of twenty-four hours each year. Personal time is earned based on the employee's anniversary date. Employees may not accumulate personal time from year-to-year.

Sick leave time is earned at the rate of twelve days per year by full time employees. Sick leave is paid at the employee's current rate of pay and benefits can accumulate to a maximum of 60 days. Sick leave accrued is to be paid to the employees for any unused accumulated sick leave at the time of termination of employment for any reason.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Homer.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Village Boards prepares the annual budgets prior to December 31. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended December 31, 2006, the Village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>BUDGET APPROPRIATION</u>	<u>ACTUAL EXPENDITURE</u>	<u>BUDGET VARIANCE</u>
General			
General Government:			
Attorney	\$ 3,500	\$ 5,670	\$ 2,170
Clerk	\$ 32,693	\$ 35,676	\$ 2,983
Building and Grounds	\$ 30,924	\$ 31,214	\$ 290
Public Works:			
Street Lighting	\$ 32,581	\$ 33,081	\$ 500
Recreational and Cultural:			
Parks	\$ 12,570	\$ 12,583	\$ 13
Other:			
Debt Service	\$ -	\$ 20,914	\$ 20,914
Major Street			
Street Administration	\$ 17,620	\$ 25,004	\$ 7,384
Local Street			
Street Administration	\$ 12,020	\$ 16,566	\$ 4,546
Operating Transfer Out	\$ 13,247	\$ 110,300	\$ 97,053

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village has designated one bank and two investment companies for the deposit of the Village of Homer funds.

The Village's deposits and investments are in accordance with statutory authority.

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>FIDUCIARY FUNDS</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 468,154	\$ (87,971)	\$ -	\$ 380,183
Investments	511,633	-	-	511,633
Restricted Assets	<u>80,283</u>	<u>411,882</u>	<u>-</u>	<u>492,165</u>
Total	<u>\$ 1,060,070</u>	<u>\$ 323,911</u>	<u>\$ -</u>	<u>\$ 1,383,981</u>

The breakdown between deposits and investments is as follows:

	<u>PRIMARY GOVERNMENT</u>
Bank Deposits	\$ 1,383,856
(Checking and Savings Accounts, Certificates of Deposit)	
Investment in Securities	-
(Mutual Funds and Similar Vehicles)	
Petty Cash and Cash on Hand	<u>125</u>
Total	<u>\$ 1,383,981</u>

Custodial credit risk is the risk that the Village will not be able to recover its deposits in the event of financial institution failure. The Village's deposits are exposed to custodial credit risk if they are not covered by federal depository or securities investor insurance and are uncollateralized. At December 31, 2006, the Village had deposits with a carrying amount of \$1,383,856 and a bank balance of \$1,453,390. Of the bank balance, \$371,619 is covered by federal depository or securities investor insurance, \$1,081,771 is uninsured and \$0 is collateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of the FDIC and SIPC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Village's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 75,676	\$ -	\$ -	\$ 75,676
Subtotal	<u>75,676</u>	<u>-</u>	<u>-</u>	<u>75,676</u>
Capital Assets Being Depreciated				
Buildings	2,443,437	-	-	2,443,437
Land Improvements	-	-	-	-
Furniture	119,950	-	-	119,950
Equipment	2,426,463	16,447	34,897	2,408,013
Data Processing Equipment	36,834	3,866	-	40,700
Infrastructure	<u>90,777</u>	<u>94,133</u>	<u>-</u>	<u>184,910</u>
Subtotal	<u>5,117,461</u>	<u>114,446</u>	<u>34,897</u>	<u>5,197,010</u>
Less Accumulated Depreciation for				
Buildings	1,234,970	50,466	-	1,285,436
Furniture	59,284	8,978	-	68,262
Equipment	1,406,996	116,762	34,897	1,488,861
Data Processing Equipment	24,866	4,909	-	29,775
Infrastructure	<u>8,269</u>	<u>8,664</u>	<u>-</u>	<u>16,933</u>
Subtotal	<u>2,734,385</u>	<u>189,779</u>	<u>34,897</u>	<u>2,889,267</u>
Net Capital Assets Being Depreciated	<u>2,383,076</u>	<u>(75,333)</u>	<u>-</u>	<u>2,307,743</u>
Governmental Activities Total Capital Assets-Net of Depreciation	<u>\$2,458,752</u>	<u>\$ (75,333)</u>	<u>\$ -</u>	<u>\$2,383,419</u>

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

CAPITAL ASSETS (Continued)

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Business-Type Activities				
Capital Assets not Being Depreciated				
Land	\$ 152,000	\$ -	\$ -	\$ 152,000
Subtotal	<u>152,000</u>	<u>-</u>	<u>-</u>	<u>152,000</u>
Capital Assets Being Depreciated				
Buildings	322,107	-	-	322,107
Equipment	48,263	-	-	48,263
Sewer Plant	3,530,636	95,100	-	3,625,736
Infrastructure	<u>2,634,798</u>	<u>-</u>	<u>-</u>	<u>2,634,798</u>
Subtotal	<u>6,535,804</u>	<u>95,100</u>	<u>-</u>	<u>6,630,904</u>
Less Accumulated Depreciation for				
Buildings	293,966	2,752	-	296,718
Equipment	21,999	2,840	-	24,839
Sewer Plant	1,651,279	102,797	-	1,754,076
Infrastructure	<u>1,538,022</u>	<u>29,537</u>	<u>-</u>	<u>1,567,559</u>
Subtotal	<u>3,505,266</u>	<u>137,926</u>	<u>-</u>	<u>3,643,192</u>
Net Capital Assets Being Depreciated	<u>3,030,538</u>	<u>(42,826)</u>	<u>-</u>	<u>2,987,712</u>
Business-Type Activities Total Capital Assets-Net of Depreciation	<u>\$ 3,182,538</u>	<u>\$ (42,826)</u>	<u>\$ -</u>	<u>\$ 3,139,712</u>

Depreciation expense was charged to programs of the Village as follows:

Governmental Activities

General Government	\$ 14,927
Public Safety	126,877
Recreation and Cultural	35,857
Motorpool	<u>12,118</u>

Total Government Activities \$ 189,779

Business-Type Activities

Water	\$ 31,665
Sewer	<u>106,261</u>

Total Business-Type Activities \$ 137,926

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>FUND</u>	<u>RECEIVABLES</u>	<u>FUND</u>	<u>PAYABLES</u>
General Fund	\$ 5,915	Fire Fund	\$ 4,500
Local Street	177,887	Motorpool	67,587
Building Authority	<u>4,500</u>	Water Fund	3,012
		Sewer Fund	<u>113,203</u>
	\$ <u>188,302</u>		\$ <u>188,302</u>
<u>FUND</u>	<u>TRANSFERS IN</u>	<u>FUND</u>	<u>TRANSFERS OUT</u>
General	\$ 18,655	General	\$ 99,430
Local Streets	11,250	Major Streets	11,250
Library	32,000	Parks Maintenance	8,000
Fire	52,630	Park System	121
Parks Maintenance	121	Sewer Fund	<u>10,655</u>
Fire Truck	<u>14,800</u>		
	\$ <u>129,456</u>		\$ <u>129,456</u>

The interfund receivables and payables represent money owed to the funds for expenses paid by other funds for various expenses funds. Transfers were used to move revenues from the fund that is required to collect them to the fund where expenditures were expended and to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, the major street fund is allowed under Act 51 to share a portion of its tax revenues with the local street fund.

LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

LONG-TERM DEBT (Continued)

The following is a summary of the debt outstanding of the Village of Homer as of December 31, 2006:

	<u>INTEREST RATE</u>	<u>PRINCIPAL MATURES</u>	<u>BEGINNING BALANCE</u>	<u>ADDITION (REDUCTIONS)</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
Primary Government						
Governmental Activities						
Building Authority Bonds	5.00%	2015	\$ 72,000	\$ (8,000)	\$ 64,000	\$ 8,000
Lease Payable	6.30%	2008	20,678	(20,678)	-	-
Other Liabilities						
Compensated Absences	-	-	46,767	1,244	48,011	48,011
Total Governmental Activities			<u>\$ 139,445</u>	<u>\$ (27,434)</u>	<u>\$ 112,011</u>	<u>\$ 56,011</u>
Business-Type Activities						
Revenue Bonds						
2004 Water System	2.00-3.25%	2010	\$ 235,000	\$ (45,000)	\$ 190,000	\$ 45,000
Sewer Contracts	5.00%	2017	448,000	(40,000)	408,000	40,000
Total Business-Type Activities			<u>\$ 683,000</u>	<u>\$ (85,000)</u>	<u>\$ 598,000</u>	<u>\$ 85,000</u>

The compensated absence liability attributable to the governmental activities will be liquidated by the Village's governmental funds. The annual requirements to pay principal and interest on long-term bonds outstanding for the primary government are as follows:

<u>Year End December 31</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 8,000	\$ 3,401	\$ 85,000	\$ 25,775
2008	8,000	3,000	85,000	22,763
2009	8,000	2,601	90,000	19,527
2010	8,000	2,200	90,000	16,027
2011	8,000	1,801	40,000	13,400
2011-2017	<u>24,000</u>	<u>3,201</u>	<u>208,000</u>	<u>36,800</u>
Total	<u>\$ 64,000</u>	<u>\$ 16,204</u>	<u>\$ 598,000</u>	<u>\$ 134,292</u>

RISK MANAGEMENT

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its risk exposure and provides certain employee benefits through a combination of risk management pools and commercial insurance.

The Village participates in the Michigan Municipal League for general and automobile liability, motor vehicle physical damage, property damage, and workers compensation coverages. The Michigan Municipal Liability and Property Pool were established pursuant to laws of the State of Michigan, which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the pool is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

RISK MANAGEMENT (Continued)

The Michigan Municipal Liability and Property Pool, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Michigan Municipal Liability and Property Pool. Due to this reinsurance purchase, there is no pooling of risk between members.

The Michigan Municipal Liability and Property Pool chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles) that vary from member to member.

The Village also provides employee benefits through the Michigan Municipal League with programs underwritten by commercial insurance carriers.

At December 31, 2006, there were no claims, which exceeded insurance coverage. The Village had no significant reduction in insurance coverage from previous years.

RETIREMENT PLAN

The Village has a defined benefit pension plan covering substantially all full-time employees. The plan is operated by the State of Michigan Municipal Employees Retirement System (MERS), which is a cost sharing, multiple-employer retirement system. MERS issues a publicly available financial report that includes financial statements and requires supplemental information. The report may be obtained by writing to the System at 1147 Municipal Way, Lansing, MI 48917.

The pension plan provides pension, death and disability benefits. Benefits vest after 10 years of service. Normal retirement is based on one of the following requirements:

1. Age 60 and 10 or more years of credited service.
2. Age 55 and 15 or more years of credited service (reduced benefit).
3. Age 50 and 25 or more years of credited service (reduced benefit).

Pension Benefit Obligation

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increase of 4.5% per year, (c) additional projected salary increases based on an age related scale to reflect seniority/merit, (d) the assumption that benefits will increase 2.5% per year (annually) after retirement, and (e) withdrawal rates based on years of service for members less than five years of service, and based on age for members over five years of service. Both (a) and (b) include an inflation assumption of 4.5% per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a ten-year period. The standard amortization period to fund the unfunded liability is 25 years for positive unfunded liabilities, and 10 years for negative unfunded liabilities (assets exceed liabilities).

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2006

RETIREMENT PLAN (Continued)

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates using the entry age normal method that, expressed as a percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The Village has not made any contributions for the eight years preceding January 1, 2003. Under the Accelerated Funding Credits Program, municipalities with funding percentages that exceed 110% are not required to make annual contributions.

The funding percentage is based on the ratio of assets (at actuarial value) to the actuarial accrued liabilities. The Village's funding percentages have exceeded 110% for the preceding eight years.

Three-year trend information as of December 31 follows:

	2006	2005	2004
Annual Pension Cost	\$ 16,156	\$ 6,321	\$ 4,745
Percentage of APC Contributed	100.00%	100.00%	100.00%
Net Pension Obligation	-	-	-
(A) Actuarial Value of Assets	1,010,956	944,531	907,436
(B) Actuarial Accrued Liability	916,619	813,011	744,518
(C) Excess of Assets Over AAL (A)-(B)	94,337	131,520	162,918
(D) Funded Ratio (A)/(B)	110.30%	116.18%	121.88%
(E) Covered Payroll	357,177	362,756	315,653
(F) Excess Percentage of Covered Payroll (C)/(E)	26.42%	36.26%	36.51%

DEFERRED COMPENSATION PLAN

The Village offers an optional deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is available to one employee and allows the participant to defer a portion of current income to further years to shelter such funds and earning from state and federal taxation until withdrawal. The deferred compensation is not available to the participant until the employee's termination, retirement, death or unforeseeable emergency.

The plan is administered through a third-party administrator. The Village does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liabilities to the plan participant have been excluded from the Village's basic financial statements.

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2006

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	\$ 101,949	\$ 101,949	\$ 101,949	\$ -
Resources (Inflows)				
Taxes and Penalties	294,705	294,705	282,878	(11,827)
Licenses and Permits	5,800	5,800	4,477	(1,323)
State Grants	221,000	221,000	216,217	(4,783)
Charges for Services	33,650	81,981	83,986	2,005
Fines and Forfeitures	7,200	7,395	4,538	(2,857)
Interest and Rentals	18,000	18,300	10,811	(7,489)
Other Revenue	<u>15,655</u>	<u>27,016</u>	<u>19,148</u>	<u>(7,868)</u>
Total Resources	<u>596,010</u>	<u>656,197</u>	<u>622,055</u>	<u>(34,142)</u>
Charges to Appropriations (Outflows)				
Legislative	12,880	11,734	10,719	1,015
General Government				
President	23,075	25,260	25,075	185
Election	350	-	-	-
Accounting Department	25,430	24,253	23,213	1,040
Attorney	4,500	3,500	5,670	(2,170)
Clerk	30,300	32,603	35,676	(3,073)
Treasurer	31,100	25,653	25,480	173
Buildings and Grounds	30,890	30,924	31,214	(290)
Public Safety				
Police	252,095	305,167	302,625	2,542
Planning and Zoning	1,300	3,260	3,254	6
Public Works				
Street Lighting	31,000	32,581	33,081	(500)
Sidewalk Replacement	13,600	25,233	25,100	133
Locally Administered Streets	4,375	4,375	7	4,368
Recreational and Cultural				
Parks	15,965	12,570	12,583	(13)
Promotional	7,420	8,880	8,823	57
Capital Outlay	21,900	23,654	1,054	22,600
Debt Service	<u>-</u>	<u>-</u>	<u>20,914</u>	<u>(20,914)</u>
Total Charges to Appropriations	<u>506,180</u>	<u>569,647</u>	<u>564,488</u>	<u>5,159</u>

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Year Ended December 31, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Excess of Resources Over (Under) Appropriations	<u>89,830</u>	<u>86,550</u>	<u>57,567</u>	<u>(28,983)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Asset	-	1,000	1,000	-
Operating Transfers In	8,000	8,000	18,655	10,655
Operating Transfers (Out)	<u>(99,430)</u>	<u>(99,430)</u>	<u>(99,430)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(91,430)</u>	<u>(90,430)</u>	<u>(79,775)</u>	<u>10,655</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(1,600)</u>	<u>(3,880)</u>	<u>(22,208)</u>	<u>(18,328)</u>
Budgetary Fund Balance - December 31, 2006	<u>\$ 100,349</u>	<u>\$ 98,069</u>	<u>\$ 79,741</u>	<u>\$ (18,328)</u>

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
For the Year Ended December 31, 2006

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	\$ 75,361	\$ 75,361	\$ 75,361	\$ -
Resources (Inflows)				
Federal Grants	275,000	275,000	-	(275,000)
State Grants	682,690	682,690	90,456	(592,234)
Interest and Rentals	300	300	440	140
Other Revenue	<u>6,650</u>	<u>6,650</u>	<u>6,046</u>	<u>(604)</u>
Total Resources	<u>964,640</u>	<u>964,640</u>	<u>96,942</u>	<u>(867,698)</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	13,520	17,620	25,004	(7,384)
Street Routine Maintenance	52,520	54,660	51,081	3,579
Street Winter Maintenance	14,233	10,033	3,068	6,965
Traffic Services	3,563	1,463	814	649
Trees	11,667	6,687	6,489	198
Street Construction	<u>893,694</u>	<u>898,734</u>	<u>34,182</u>	<u>864,552</u>
Total Charges to Appropriations	<u>989,197</u>	<u>989,197</u>	<u>120,638</u>	<u>868,559</u>
Excess of Resources Over (Under) Appropriations	<u>(24,557)</u>	<u>(24,557)</u>	<u>(23,696)</u>	<u>861</u>
Other Financing Sources (Uses):				
Operating Transfers Out	<u>(28,110)</u>	<u>(28,110)</u>	<u>(11,250)</u>	<u>16,860</u>
Total Other Financing Sources (Uses)	<u>(28,110)</u>	<u>(28,110)</u>	<u>(11,250)</u>	<u>16,860</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(52,667)</u>	<u>(52,667)</u>	<u>(34,946)</u>	<u>17,721</u>
Budgetary Fund Balance - December 31, 2006	<u>\$ 22,694</u>	<u>\$ 22,694</u>	<u>\$ 40,415</u>	<u>\$ 17,721</u>

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
For the Year Ended December 31, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 653,039	\$ 653,039	\$ 653,039	\$ -
Resources (Inflows)				
Taxes and Penalties	100,200	100,200	111,031	10,831
State Grants	34,000	34,000	35,574	1,574
Interest and Rentals	1,500	1,500	5,481	3,981
Other Revenue	<u>400</u>	<u>400</u>	<u>236</u>	<u>(164)</u>
Total Resources	<u>136,100</u>	<u>136,100</u>	<u>152,322</u>	<u>16,222</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	14,090	12,020	16,566	(4,546)
Street Routine Maintenance	47,505	55,396	50,090	5,306
Street Winter Maintenance	11,766	12,025	2,568	9,457
Traffic Services	4,070	3,005	846	2,159
Trees	13,325	9,135	7,500	1,635
Street Construction	<u>40,000</u>	<u>39,175</u>	<u>39,175</u>	<u>-</u>
Total Charges to Appropriations	<u>130,756</u>	<u>130,756</u>	<u>116,745</u>	<u>14,011</u>
Excess of Resources Over (Under) Appropriations	<u>5,344</u>	<u>5,344</u>	<u>35,577</u>	<u>30,233</u>
Other Financing Sources (Uses):				
Operating Transfers In	11,250	11,250	11,250	-
Operating Transfers Out	<u>(13,247)</u>	<u>(13,247)</u>	<u>-</u>	<u>13,247</u>
Total Other Financing Sources (Uses)	<u>(1,997)</u>	<u>(1,997)</u>	<u>11,250</u>	<u>13,247</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>3,347</u>	<u>3,347</u>	<u>46,827</u>	<u>43,480</u>
Budgetary Fund Balance - December 31, 2006	<u>\$ 656,386</u>	<u>\$ 656,386</u>	<u>\$ 699,866</u>	<u>\$ 43,480</u>

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND
For the Year Ended December 31, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 105,885	\$ 105,885	\$ 105,885	\$ -
Resources (Inflows)				
State Grants	3,480	3,434	3,035	(399)
Contributions from Local Units	82,800	83,323	65,033	(18,290)
Fines and Forfeits	16,200	17,224	17,224	-
Interest and Rentals	400	512	677	165
Other Revenue	<u>1,770</u>	<u>3,268</u>	<u>3,270</u>	<u>2</u>
Total Resources	<u>104,650</u>	<u>107,761</u>	<u>89,239</u>	<u>(18,522)</u>
Charges to Appropriations (Outflows)				
Recreation and Cultural:				
Wages and Fringes	101,982	104,565	104,829	(264)
Training	1,200	190	187	3
Supplies	3,325	2,525	3,126	(601)
Books and Magazines	11,000	11,000	10,358	642
Telephone	1,550	2,000	1,905	95
Contracted Services	3,565	3,565	3,179	386
Professional Services	3,751	1,400	2,363	(963)
Printing and Publishing	775	1,062	1,062	-
Insurance	1,830	1,931	1,952	(21)
Transportation	300	350	349	1
Maintenance and Repairs	200	326	326	-
Utilities	9,400	9,400	7,133	2,267
Capital Outlay	<u>3,000</u>	<u>2,500</u>	<u>3,866</u>	<u>(1,366)</u>
Total Charges to Appropriations	<u>141,878</u>	<u>140,814</u>	<u>140,635</u>	<u>179</u>
Excess of Resources Over (Under) Appropriations	<u>(37,228)</u>	<u>(33,053)</u>	<u>(51,396)</u>	<u>(18,343)</u>

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND (Continued)
For the Year Ended December 31, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Other Financing Sources (Uses):				
Operating Transfers In	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	<u>-</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(5,228)</u>	<u>(1,053)</u>	<u>(19,396)</u>	<u>(18,343)</u>
Budgetary Fund Balance - December 31, 2006	<u>\$ 100,657</u>	<u>\$ 104,832</u>	<u>\$ 86,489</u>	<u>\$ (18,343)</u>

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
For the Year Ended December 31, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 42,395	\$ 42,395	\$ 42,395	\$ -
Resources (Inflows)				
Contributions from Local Units	143,000	143,000	74,701	(68,299)
Interest and Rentals	150	150	352	202
Other Revenue	<u>375</u>	<u>375</u>	<u>562</u>	<u>187</u>
Total Resources	<u>143,525</u>	<u>143,525</u>	<u>75,615</u>	<u>(67,910)</u>
Charges to Appropriations (Outflows)				
Public Safety:				
Wages and Fringes	64,600	64,600	60,000	4,600
Training	500	1,500	1,422	78
Supplies	5,500	5,280	1,459	3,821
Telephone	1,450	1,701	1,364	337
Fire Prevention	1,500	3,113	2,113	1,000
Professional Fees	100	100	1,518	(1,418)
Printing and Publishing	250	302	302	-
Insurance and Bonds	42,000	42,000	41,716	284
Repairs and Maintenance	8,600	8,695	8,225	470
Gas and Oil	3,000	3,070	3,069	1
Rent	4,500	4,500	-	4,500
Utilities	7,400	7,400	7,768	(368)
Capital Outlay	<u>5,850</u>	<u>3,989</u>	<u>5,244</u>	<u>(1,255)</u>
Total Charges to Appropriations	<u>145,250</u>	<u>146,250</u>	<u>134,200</u>	<u>12,050</u>
Excess of Resources Over (Under) Appropriations	<u>(1,725)</u>	<u>(2,725)</u>	<u>(58,585)</u>	<u>(55,860)</u>
Other Financing Sources (Uses):				
Operating Transfers In	<u>-</u>	<u>-</u>	<u>52,630</u>	<u>52,630</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>52,630</u>	<u>52,630</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(1,725)</u>	<u>(2,725)</u>	<u>(5,955)</u>	<u>(3,230)</u>
Budgetary Fund Balance - December 31, 2006	<u>\$ 40,670</u>	<u>\$ 39,670</u>	<u>\$ 36,440</u>	<u>\$ (3,230)</u>

VILLAGE OF HOMER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2006

REVENUES	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Taxes and Penalties				
Property Taxes			\$ 278,701	
Collection Fees			4,177	
Total Taxes and Penalties	\$ 294,705	\$ 294,705	282,878	\$ (11,827)
Licenses and Permits				
Franchise Fees			3,264	
Liquor License Fees			1,213	
Total Licenses and Permits	5,800	5,800	4,477	(1,323)
State Grants				
State Revenue Sharing:				
Sales Tax			216,217	
Total State Grants	221,000	221,000	216,217	(4,783)
Charges for Services				
Charges for Services			45,786	
Salvage Fees			38,200	
Total Charges for Services	33,650	81,981	83,986	2,005
Fines and Forfeitures	7,200	7,395	4,538	(2,857)
Interest and Rentals				
Interest			(184)	
Rentals			10,995	
Total Interest and Rentals	18,000	18,300	10,811	(7,489)
Other Revenue				
Miscellaneous			3,770	
Donations			9,700	
Refunds and Rebates			5,678	
Total Other Revenue	15,655	27,016	19,148	(7,868)
Total Revenues	596,010	656,197	622,055	(34,142)

VILLAGE OF HOMER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended December 31, 2006

EXPENDITURES	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Legislative:				
Salaries - Village Council			5,558	
Payroll Taxes			426	
Supplies			267	
Professional Fees			2,405	
Printing and Postage			1,523	
Miscellaneous			171	
Maintenance and Repairs			369	
Total Legislative	14,880	11,734	10,719	1,015
General Government:				
Village President:				
Salary			11,691	
Payroll Taxes			2,812	
Fringe Benefits			5,633	
Education			324	
Supplies			611	
Telephone			1,132	
Professional Services			55	
Dues and Memberships			524	
Transportation			1,060	
Maintenance and Repairs			514	
Utilities			719	
Total Village President	23,175	25,260	25,075	185
Elections	350	-	-	-
Accounting Department:				
Salary			11,050	
Payroll Taxes			816	
Fringe Benefits			6,681	
Education			139	
Supplies			588	
Telephone			408	
Printing and Postage			11	
Miscellaneous			42	
Maintenance and Repairs			1,814	
Professional Services			945	
Utilities			719	
Total Accounting Department	25,730	24,343	23,213	1,130
Attorney	4,500	3,500	5,670	(2,170)

VILLAGE OF HOMER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended December 31, 2006

EXPENDITURES (Continued)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Village Clerk:				
Salary			19,616	
Payroll Taxes			1,467	
Fringe Benefits			8,172	
Education			139	
Supplies			601	
Telephone			692	
Professional Services			3,372	
Printing and Postage			22	
Insurance			500	
Maintenance and Repairs			369	
Utilities			726	
Total Village Clerk	30,650	32,693	35,676	(2,983)
Treasurer:				
Salary			16,045	
Payroll Taxes			1,202	
Fringe Benefits			5,905	
Education			139	
Supplies			657	
Telephone			428	
Transportation			29	
Professional Services			206	
Insurance			500	
Maintenance and Repairs			369	
Total Treasurer	31,450	25,743	25,480	263
Buildings and Grounds:				
Maintenance Wages			3,245	
Payroll Taxes			246	
Fringe Benefits			1,707	
Supplies			2,885	
Telephone			805	
Professional Services			7,937	
Printing and Postage			43	
Equipment Rental			911	
Insurance			3,500	
Maintenance and Repairs			1,704	
Utilities			8,231	
Total Buildings and Grounds	34,890	30,924	31,214	(290)
Total General Government	150,745	142,463	146,328	(3,865)

VILLAGE OF HOMER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended December 31, 2006

<u>EXPENDITURES (Continued)</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Public Safety:				
Police:				
Salaries and Wages			147,988	
Payroll Taxes			11,246	
Fringes			45,558	
Education			3,038	
Supplies			3,319	
Telephone			3,261	
Professional Services			43,917	
Printing and Postage			618	
Insurance			25,645	
Auto			8,731	
Miscellaneous			242	
Maintenance and Repairs			6,146	
Uniforms			1,815	
Utilities			1,101	
Capital Outlay			1,054	
Total Police	266,895	328,551	303,679	24,872
Planning and Zoning:				
Supplies			5	
Professional Services			3,204	
Printing and Postage			45	
Total Planning and Zoning	1,300	3,260	3,254	6
Total Public Safety	268,195	331,811	306,933	24,878
Public Works:				
Street Lighting:				
Insurance			9,480	
Utilities			23,601	
Total Street Lighting	31,000	32,581	33,081	(500)
Sidewalk Replacement:				
Salaries and Wages			1,634	
Payroll Taxes			123	
Fringe Benefits			997	
Equipment Rental			1,571	
Maintenance and Repairs			20,775	
Total Sidewalk Replacement	13,600	25,233	25,100	133

VILLAGE OF HOMER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended December 31, 2006

EXPENDITURES (Continued)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Locally Administered Streets:				
Snow Removal			7	
Total Locally Administered Streets	4,375	4,375	7	4,368
Total Public Works	48,975	62,189	58,188	4,001
Recreation and Cultural:				
Parks:				
Wages			3,978	
Payroll Taxes			301	
Fringe Benefits			1,554	
Professional Services			1,150	
Transportation			25	
Equipment Rental			4,729	
Maintenance and Repairs			94	
Insurance			752	
Total Parks	15,965	12,570	12,583	(13)
Promotional:				
Wages			1,109	
Payroll Taxes			84	
Fringe Benefits			323	
Supplies			5,318	
Printing and Postage			84	
Equipment Rental			721	
Maintenance and Repairs			340	
Utilities			844	
Total Promotional	7,420	8,880	8,823	57
Total Recreation and Cultural	23,385	21,450	21,406	44

VILLAGE OF HOMER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended December 31, 2006

EXPENDITURES (Continued)	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Debt Service:				
Principal			20,678	
Interest			236	
Total Other	<u>-</u>	<u>-</u>	<u>20,914</u>	<u>(20,914)</u>
Total Expenditures	<u>506,180</u>	<u>569,647</u>	<u>564,488</u>	<u>5,159</u>
Excess of Revenues Over Expenditures	<u>89,830</u>	<u>86,550</u>	<u>57,567</u>	<u>(28,983)</u>
Other Financing Sources (Uses):				
Sale of Fixed Assets	-	1,000	1,000	
Operating Transfers In	8,000	8,000	18,655	10,655
Operating Transfers Out	<u>(99,430)</u>	<u>(99,430)</u>	<u>(99,430)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(91,430)</u>	<u>(90,430)</u>	<u>(79,775)</u>	<u>10,655</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,600)	(3,880)	(22,208)	(18,328)
Fund Balance - January 1, 2006	<u>101,949</u>	<u>101,949</u>	<u>101,949</u>	<u>-</u>
Fund Balance - December 31, 2006	<u>\$ 100,349</u>	<u>\$ 98,069</u>	<u>\$ 79,741</u>	<u>\$ (18,328)</u>

VILLAGE OF HOMER
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2006

ASSETS						Total	
	Park Maint Fund	Lake Imp Fund	Skating Fund	Fire Truck Fund	Building Authority Fund	Park System Fund	Total
Cash and Cash Equivalents	\$ 57,456	\$ 4,123	\$ 792	\$ 12,227	\$ 80,283	\$ 12,991	\$ 167,872
Investments	11,633	-	-	200,000	-	-	211,633
Receivables							
Taxes	-	-	-	-	2,263	-	2,263
Other	-	-	-	1,559	150	-	1,709
Due from Other Funds	-	-	-	-	4,500	-	4,500
Total Assets	\$ 69,089	\$ 4,123	\$ 792	\$ 213,786	\$ 87,196	\$ 12,991	\$ 387,977
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 1,200	\$ -	\$ 1,200
Deferred Revenue	-	-	-	-	2,263	-	2,263
Total Liabilities	-	-	-	-	3,463	-	3,463
Fund Balances							
Reserved	-	-	-	-	-	-	-
Designated	-	-	-	-	-	-	-
Unreserved-Undesignated	69,089	4,123	792	213,786	83,733	12,991	384,514
Total Fund Balances	69,089	4,123	792	213,786	83,733	12,991	384,514
Total Liabilities and Fund Balances	\$ 69,089	\$ 4,123	\$ 792	\$ 213,786	\$ 87,196	\$ 12,991	\$ 387,977

VILLAGE OF HOMER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	Park Maint Fund	Lake Imp Fund	Skating Fund	Fire Truck Fund	Building Authority Fund	Park System Fund	Total
Revenues							
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ 17,617	\$ -	\$ 17,617
Contributions from Local Units	-	-	-	20,725	-	-	20,725
Interest and Rentals	791	33	7	2,615	666	120	4,232
Other Revenue	-	-	-	-	-	257	257
Total Revenues	791	33	7	23,340	18,283	377	42,831
Expenditures							
General Government:							
Insurance	-	-	-	-	244	-	244
Contracted Services	-	-	-	-	6,365	-	6,365
Recreation and Cultural:							
Insurance	-	-	-	-	-	144	144
Supplies	-	-	-	-	-	1,521	1,521
Contracted Services	-	-	-	-	-	12,055	12,055
Debt Service:							
Principal	-	-	-	-	8,000	-	8,000
Interest	-	-	-	-	3,600	-	3,600
Total Expenditures	-	-	-	-	18,209	13,720	31,929
Excess of Revenues Over (Under) Expenditures	791	33	7	23,340	74	(13,343)	10,902
Other Financing Sources (Uses):							
Operating Transfer In	121	-	-	14,800	-	-	14,921
Operating Transfer (Out)	(8,000)	-	-	-	-	(121)	(8,121)
Total Other Financing Sources (Uses)	(7,879)	-	-	14,800	-	(121)	6,800
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(7,088)	33	7	38,140	74	(13,464)	17,702
Fund Balance-January 1, 2006	76,177	4,090	785	175,646	83,659	26,455	366,812
Fund Balance-December 31, 2006	\$ 69,089	\$ 4,123	\$ 792	\$ 213,786	\$ 83,733	\$ 12,991	\$ 384,514



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Village Council
Village of Homer
Calhoun County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Homer, as of and for the year ended December 31, 2006, which collectively comprise the Village of Homer's basic financial statements and have issued our report thereon dated July 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Homer's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Homer's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Homer's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Homer's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Homer's financial statements that is more than inconsequential will not be prevented or detected by the Village of Homer's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Homer's internal control. We consider the deficiencies described below to be material weaknesses in internal control over financial reporting.

- Collections of water and sewer billings and tax receipts were not being deposited in the village's bank account on a regular basis.

Each month, computerized collection reports should be reconciled to deposits to ensure all collections were deposited into the bank. We found collections were not being deposited on a regular basis. This resulted in a missing deposit. This occurred due to a lack of control for reconciling collections and deposits.

We recommend collections and deposits are made at least once a week and reconciled on a monthly basis. Management has put controls in place to correct this and the Village is reconciling on a monthly basis.

- Reconciled bank balances are not being reconciled with the corresponding general ledger accounts on a monthly basis.

Each month reconciled bank balances should be reconciled to the general ledger. We found reconciled bank balances are not being reconciled with the corresponding general ledger accounts on a monthly basis. This resulted in an adjustment to balance the general ledger accounts.

We recommend reconciled bank balances are reconciled with the corresponding general ledger accounts on a monthly basis. Management is putting the necessary controls in place to correct this.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Homer's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed possible noncompliance regarding use of restricted funds as follows:

- The water and sewer funds have negative unrestricted retained earnings.

We recommend the Village review the bond covenants to be certain that the accounts reflected as restricted are truly restricted. Once the proper amount has been determined the Village should determine appropriate method to bring the funds to positive balances, either through increased rates, loans from the general fund or operating transfers.

This report is intended solely for the information and use of management, the audit committee, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, MI
July 13, 2007

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July 13, 2007

To the Village Council
Village of Homer
Calhoun County, Michigan

We have recently completed an audit of the financial statements of the Village of Homer, Calhoun County, Michigan for the year ended December 31, 2006. During the course of the audit the following items came to our attention, which require further comment. Several of these are a repeat of last year, due to the fact that the December 31, 2005 recommendations were not made to the Village Council until January 2007. The Village staff is working on implementing these recommendations.

Budgets Should Be Reviewed On A Periodic Basis

The general appropriations act passed before the beginning of each fiscal year is the legal authority for the Village to spend public moneys. The general appropriations act specifies amounts that may be spent by budget category. The Village does not have legal authority to spend amounts in excess of specific appropriations.

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit of government may not incur expenditures in excess of amounts appropriated. When it appears that more money will be spent than the amount originally appropriated, it is necessary to amend the budget. This can be done at any meeting prior to the fiscal year end and does not require a new public hearing. During the year ended December 31, 2006, the Village's actual expenditures exceeded their appropriations in several categories.

It is recommended that the Village closely monitor the expenditures in relation to amounts appropriated and amend the budget when necessary. In addition, consideration should be taken at year-end for typical audit adjustments and amend the budget accordingly. The approved budget and all amended budgets should become a permanent part of the board minutes.

A Separate Street Bank Account Is Required

During the course of the audit, it was noted that Village does not have a separate streets bank account.

The Department of Treasury requires that local units of government that receive ACT 51 monies maintain a separate streets bank account. This account will control the expenditures of monies that are earmarked by law and the State Constitution for street and highway purposes. The local and major street funds may be pooled as one shared account.

It is recommended that the Village Council approve the opening of a street bank account and the restricted fund balance be transferred to this account. All future deposits and expenditures should be deposited and paid from this account.

General Ledger Cash Should Be Reconciled to the Treasurer's Records Monthly

During the course of the audit, it was noted that the cash accounts in the general ledger had not been reconciled to the Treasurer's reconciled statements on a monthly basis. Additional bookkeeping work is outside the normal procedures required by an audit and results in additional costs to the Village.

One of the most important internal control procedures is for the Clerk and Treasurer to reconcile their books to the reconciled bank statements for all bank accounts maintained by the Treasurer. This step verifies that all the activity of the Village has been recorded in the Village general ledger.

We recommended that the bank reconciliations be compared to the general ledger on a monthly basis. Differences should be investigated in a timely manner. Adjustments should be made to the general ledger as necessary.

Documentation Maintained in Village Board Meeting Minutes

During the course of the audit, it was noted that important items were not documented in the minutes:

1. Instances were noted where purchase of capital outlay items are not being approved, or if approved, not documented in the written minutes.
2. The motion to approve the payment of bills in the minutes should indicate the total dollar amount to be paid. Since the Village does not list all the bills to be paid within the minutes, but as a separate attachment, for internal control issues the minutes should indicate the dollar amount to verify that the correct list is being attached.

The Uniform Accounting Procedures Manual Internal Control Requirements states that all disbursements be approved by the legislative body prior to disbursement. The legislative body may establish a formal policy to authorize payments prior to approval to avoid finance or late charges or to pay appropriated amounts and payroll, but then these payments must be reviewed in the subsequent month, and the specific amounts approved. Items not specifically approved or approved for amounts less than that expended are considered illegal expenditures of the Village. How this review of bills is documented in the minutes is critical for support purposes. Several different approaches can be taken.

It is recommended that a paid bills list, in check number order, be circulated to each member, and that one copy be signed by all members and permanently attached to the minutes. Maintaining check number order from month to month is crucial. The first check number should be the next sequential check number after the last one on the previous month's list. Both lists could be circulated to ensure this accountability. Void checks and missing checks should be on the list and the original void checks available for inspection. If an advance approval policy is adopted, then those disbursements that were approved in the prior month, but not yet disbursed need to be identified on the paid bills list. These procedures provide the best evidence and documentation that everyone has reviewed and approved the disbursements and explained any missing/void checks.

General Ledger Disbursement Posting

During the course of the audit, internal control weaknesses in the expenditure area were noted. Several disbursements were inconsistently posted to the general ledger and coded to incorrect general ledger accounts. This causes inaccurate interim financial statements, which may cause budgeting problems throughout the year.

We recommend that the clerk be given the opportunity to consult with outside professionals on a monthly basis for help with posting of items in question, if needed. This can save the Village in costly bookkeeping fees incurred during the audit.

Disbursements

During the course of the audit, an internal control weakness in the expenditures and credit card expenditure area were noted. Several disbursements were not substantiated by a valid receipt.

Disbursements made by the Village should be supported by proper documentation. Invoices or contracts should support expenditures for goods or services. A signed reimbursement form that specifies the payee, what the expense was incurred for, where the expense occurred, when the expense was incurred and why the expense was incurred should substantiate reimbursements to employees or officials. Applicable invoices or receipts should be attached.

We recommend that the Village obtain proper documentation for all disbursements made. The documentation should be filed in an organized manner that is easily assessable. In addition, the Village Board should examine all credit card invoices prior to approval for payment.

We would like to take this opportunity to thank the Village for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

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To the Village Council
Village of Homer
Calhoun County, Michigan

In planning and performing our audit of the financial statements of the Village of Homer as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Homer's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Our consideration of internal control included procedures to evaluate the design and of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- The reconciled bank balances are not being reconciled with the corresponding general ledger accounts on a monthly basis.
- Deposits are not being made in a timely fashion and procedures are not in place to ensure all deposits are deposited into the bank.
- The Village does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the board of trustees of Village of Homer and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, MI
July 13, 2007

Walker, Fluke & Sheldon, PLC